



FmHA AN No. 2973 (1922-C)
February 24, 1994

SUBJECT: Contracting for Appraisals

**TO: State Directors, District Directors, and County
Supervisors**

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance on the applicant's rights as a home mortgage borrower to obtain a copy of the real estate appraisal and to provide guidelines when soliciting for Single Family Housing (SFH) real estate appraisals.

COMPARISON WITH PREVIOUS AN:

This AN replaces FmHA AN No. 2722 (1922-C) which expired on December 31, 1993.

IMPLEMENTATION RESPONSIBILITIES:

We are currently awaiting regulations to be issued by the Federal Reserve Board regarding the home mortgage borrower's rights to a complete set of appraisal documents used by lenders when approving or denying a request for financing. This was first authorized 2 years ago by amendments to the Equal Credit Opportunity Act. It is our understanding that these rules will be mandatory on June 14, 1994, but we have decided that a copy of the real estate appraisal and any review which results in the raising or lowering of the market valuation will be provided to each applicant who will be charged an appraisal fee by Farmers Home Administration (FmHA). This will apply to in-house FmHA appraisals as well as fee appraisals.

EXPIRATION DATE: February 28, 1995

**FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1922-C**



Specifications for new contracts that are awarded for SFH appraisals should contain a requirement that once the appraisal is accepted by FmHA, the contractor will provide an additional copy of the real estate appraisal for the loan applicant. If an appraisal is not provided under an appraisal contract, FmHA will reproduce and provide a complete copy of the SFH real estate appraisal to the FmHA applicant.

There is no reason for FmHA to stop appraisal activity due to the lack of a formal annual contract. It is our intent to have the County Office request for a residential appraisal awarded as soon as possible, but always within 2 working days. Requests will specify required delivery dates so that the Contracting Officer (CO) can award Purchase Orders or Task Orders against annual contracts as appropriate. We ordinarily will expect that requests will identify delivery of the appraisal to be done within 10 work days of the Contractor's receipt of the Order unless this is not typical in the area being served.

The decision on the award method (Purchase Order, Contract, or Task Order) is made by the CO. As requisitioners you should be aware of the following:

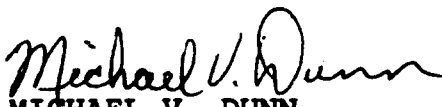
1. Purchase Orders placed under the procedures in FAR Part 13 can be awarded for amounts up to \$25,000 from open market sources. Competition is required for Orders over \$2,500 (or amounts greater than 10 percent of the current Small Purchasing threshold should the threshold be changed.)
2. All Purchase Orders need to be at fair and reasonable prices. The CO is responsible for determining this, even for noncompetitive awards of \$2,500 or less.
3. All small business sources are to have an equal opportunity to receive Government Purchase Order awards. Both competitive and non-competitive awards will be solicited from as many different sources as possible. The CO determines how many sources will be solicited (usually three or more) when competition is required.
4. Purchase Orders must never be split to avoid the competition threshold; therefore, your requests must reflect all current needs and not be arbitrarily split out.

If an annual indefinite quantity appraisal contract has been awarded, the CO processes appraisal requirements in accordance with the provisions established in the contract.

To expedite a County Supervisor's request for an appraisal, it should be sent by facsimile to the CO. The request needs to provide the location of the property to be appraised, and where the appraiser can obtain additional information if needed. Upon receipt of this request, a Purchase Order or Task Order should be issued immediately and always within 2 working days. Requests for appraisal services must be combined to the maximum extent possible. However, because of program considerations, processing of requests should not be delayed beyond 2 working days.

The appraiser should deliver the appraisal to the County Office and the County Supervisor should perform an Administrative review of the appraisal. This Administrative review must be completed within 7 days of receipt of the appraisal. A determination by the County Supervisor that the appraisal is acceptable will serve as evidence to pay the appraiser. Field and Desk reviews by the Appraisal staffs are to provide quality control, and not to determine acceptance of the appraisal, unless the Administrative review determines the appraisal is unacceptable.

If these procedures are followed in contracting for appraisals, the actions should provide a quality product in a timely manner. If you have any questions, please contact Betty S. Obst at (202) 690-1488.


MICHAEL V. DUNN
Administrator